

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 SAJ-01 SWF-02 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02

SPC-03 STR-08 TRSE-00 LAB-06 SIL-01 SAM-01 OMB-01

AGR-20 DODE-00 PM-07 H-03 L-03 NSC-07 PA-04 PRS-01

SS-20 USIA-15 EA-11 NEA-10 ARA-16 DRC-01 /215 W

----- 122450

R 281130Z MAR 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 9103

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 03905

E.O. 11652: XGDS

TAGS: EGEN, EEC, UK

SUBJECT: EC RENEGOTIATION

BEING SUMMARY CALLAGHAN WILL FORMALLY BEGIN THE PRO-
CESS OF EC RENEGOTIATION WITH A STATEMENT AT THE APRIL
1 EC COUNCIL. OUR SOURCES EXPECT THIS STATEMENT WILL
BE FAIRLY GENERAL, ALONG THE LINES OF CALLAGHAN'S
MARCH 19 SPEECH TO THE HOUSE OF COMMONS. THE UK WILL
THEN PRESENT DETAILED PROPOSALS, OVER THE NEXT TWO
MONTHS, ON THE SPECIFIC
PROBLEMS OF CONCERN TO THE LABOUR GOVERNMENT. THE
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MOST DIFFICULT PROBLEM IS EXPECTED TO BE THE RENEGO-

TIATION OF THE FINANCIAL BURDEN IMPOSED ON BRITAIN BY THE COMMUNITY. THE UK IS GENERALLY SATISFIED WITH THE RESULTS OF LAST WEEK'S AGRICULTURAL COUNCIL, ALTHOUGH IT DOES NOT CONSIDER IT TO HAVE BEEN PART OF THE RENEGOTIATION PROCESS. END SUMMARY

1. FOREIGN SECRETARY CALLAGHAN WILL FORMALLY BEGIN THE PROCESS OF RENEGOTIATION OF THE TERMS OF BRITISH ACCESSION TO THE EUROPEAN COMMUNITY WITH A STATEMENT TO THE EC COUNCIL ON APRIL 1. THIS STATEMENT IS STILL BEING DRAFTED WITHIN HMG. OFFICIALS AT THE CABINET OFFICE AND FCO EXPECT THAT IT WILL OUTLINE GENERAL OBJECTIVES, AND WILL NOT GO INTO VERY MUCH MORE DETAIL THAN CALLAGHAN'S SPEECH TO THE HOUSE OF COMMONS ON MARCH 19.

2. THE UK WILL THEN PRESENT DETAILED PROPOSALS, OVER THE NEXT TWO MONTHS OR SO, ON THE SPECIFIC PROBLEMS OF CONCERN TO THE LABOUR GOVERNMENT. A CABINET OFFICE OFFICIAL POINTED OUT TO US THAT SOME OF THE UK'S PROPOSALS COULD BE MADE IN THE CONTEXT OF DISCUSSIONS ALREADY UNDERWAY IN THE COMMUNITY. FOR EXAMPLE, THE COUNCIL IS ALREADY CONSIDERING WAYS TO REFORM THE CAP, AND THE PROBLEM OF TRADE RELATIONS WITH DEVELOPING COMMONWEALTH COUNTRIES IS RELEVANT TO NEGOTIATIONS FOR NEW EC ASSOCIATION ARRANGEMENTS. THE MAIN "NEW SUBJECT" THAT THE BRITISH WILL RAISE IS A RENEGOTIATION OF THE FINANCIAL BURDEN IMPOSED UPON BRITAIN BY THE COMMUNITY BUDGET. A NUMBER OF OUR SOURCES EXPECT THAT THIS PROBLEM WILL BE THE MOST DIFFICULT ONE TO RESOLVE.

3. WITH REGARD TO CALLAGHAN'S REMARKS IN HIS MARCH 19 SPEECH ON "WIDER ACCESS TO EUROPEAN MARKETS" FOR FOODSTUFFS FROM TRADITIONAL SUPPLIERS (HE CITED THE US AND ARGENTINA IN ADDITION TO COMMONWEALTH COUNTRIES), OUR SOURCES BELIEVE THAT HE WAS MAINLY REFLECTING THE GOVERNMENT'S PREOCCUPATION WITH HIGH FOOD PRICES IN THE UK. IN DISCUSSING TALKS WHICH THE NEW GOVERNMENT HAS HAD WITH NEW ZEALAND, ONE

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R 281130Z MAR 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 9104

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 03905

OFFICIAL NOTED THAT THE NEW ZEALANDERS ARE NOT
INTERESTED IN SELLING CHEAP FOOD TO THE UK WHEN THEY
CAN GET HIGHER PRICES ON WORLD MARKETS.

4. BRITISH OFFICIALS ARE GENERALLY SATISFIED WITH
THE RESULTS OF LAST WEEK'S EC COUNCIL MEETING OF
AGRICULTURAL MINISTERS. THEY STRESS, HOWEVER, THAT
THE UK EXPRESSLY EXCLUDED THIS MEETING FROM THE
FORMAL PROCESS OF EC RENEGOTIATION. THEY DID THIS
IN ORDER TO ENABLE THE NINE TO DECIDE ON 1974-75
PRICES WITHOUT A MAJOR CRISIS, AND IN ORDER TO MAKE
IT CLEAR THAT BRITISH ACCEPTANCE OF THESE COUNCIL
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DECISIONS SHOULD NOT PREJUDICE ANY SUBSEQUENT
RENEGOTIATION OF THE CAP. WHILE THE GOVERNMENT IS
PORTRAYING THE COUNCIL AS A VICTORY FOR THE UK, A
CABINET OFFICE OFFICIAL POINTED OUT TO US THAT HE
IS NOT SURPRISED THAT THE OTHER MEMBER STATES WENT
ALONG WITH THE UK'S PROPOSALS. THE UK IS NOW MAKING
A NET CONTRIBUTION TO THE EC BUDGET TO SUPPORT
FARMERS ON THE CONTINENT, AND SUPPORTING BRITISH
FARMERS FROM ITS OWN BUDGET. THIS IS AN ARRANGE-
MENT THAT COSTS THE OTHER EC MEMBERS NOTHING -- AND
IS NOT ONE THAT THE BRITISH CAN REGARD AS A SATIS-
FACTORY PERMANENT SOLUTION.

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